

Horwath 2002 Corporate Governance Report



*Research conducted by
Associate Professor Jim Psaros and
Michael Seamer from the
University of Newcastle Business School.*

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Forward

There has been understandable concern about the quality of Corporate Governance in Australia following the collapse of HIH, Harris Scarfe, Ansett and OneTel.

While governance is becoming an increasingly important component of investment decisions, until now debate about the standards of corporate governance in Australia has largely been based on anecdote and opinion.

The 2002 Horwath Corporate Governance Report for the first time introduces hard evidence into that debate, derived from a systematic and objective analysis of the governance structures in Australia's top 250 listed businesses.

The research was carried out by Associate Professor Jim Psaros and Michael Seamer from the University of Newcastle Business School, and measures the independence of each company's Board and other key oversight committees, namely the Audit, Remuneration and Nomination Committees.

Of course independent scrutiny alone will not guarantee a high standard of corporate governance, but strict adherence to these principles provides a sound platform for quality corporate governance.

The results show there is room for improvement and some listed companies need to demonstrate higher standards of openness and accountability. However on the whole, I believe the report will give investors and the capital markets confidence in the quality of corporate governance in this country.

In the current climate of corporate damage control, organisations need to reassure the community, investors and the Government that business is conducted fairly and in the best interests of all shareholders and stakeholders. Practically, this means delivering on the reality AND perception of full transparency and accountability in their corporate governance structures.

Horwath (NSW) is proud to be associated with this report. We believe it will provide a positive contribution to the debate about governance in Australia and, by illuminating those companies demonstrating sound governance practices, will encourage other companies to raise their standards in the years to come

Jenni Neary
Managing Director
Horwath (NSW) Pty Limited

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Section 1

Background Issues and Objectives of the Research

The Purpose of the Report

In recent times, the financial and popular press have devoted significant resources to discussing the importance of corporate governance. In conjunction with this, several high profile current and former regulators have commented on the quality of corporate governance in Australia. For example, Henry Bosch, a former Chairman of the National Companies and Securities Commission (2001) stated:

There is a wide gap between the maximum possible and the minimum excusable, and the whole spectrum is observable in Australian corporate governance; the best of our boards are performing well, but there is a long tail of boards in which little thought is given to governance, and in which more attention is given to personal gain than fiduciary duty.¹

In contrast to the views of Henry Bosch, the current Chairman of the Australian Securities and Investment Commission, David Knott, had a much more optimistic view of Australian corporate governance practices. He stated on the Business Sunday Television program in November 2001: “Despite high-profile corporate failures in the last 12 months, corporate governance had no systemic problem”.

The apparently conflicting views of Henry Bosch and David Knott highlight one significant problem with the current corporate governance debate. Namely, anecdotal evidence and opinion dominate it. Indeed it seems dangerous to debate an issue such as corporate governance, which has so many public and private policy implications, at the anecdotal level. Simply, there is a lack of hard evidence on Australian corporate governance practices. It is suggested that the investment community needs to be more critical of corporate governance practices, long before companies experience financial problems. While the sensational and critical press that follows corporate collapses puts corporate governance practices in the spotlight for a short period of time, what is required is a systematic and objective analysis on an ongoing basis. Consequently, this report aims to add substance to the debate by providing empirical evidence on the corporate governance practices of Australia’s top companies.

Why is Corporate Governance Important ?

To put the debate in some context, it is clear that some Australian companies have relatively poor corporate governance strategies and structures but will not necessarily fail. However, an entity is much more likely to achieve its strategic and financial goals when corporate governance is given prominence within the organisation. Conversely, companies with poor corporate governance strategies are more likely to under-perform in the long term. Further, quality corporate governance, both in fact and appearance, is central to ensuring that a company acts in the best interests of *all* its stakeholders.

Recent definitions of corporate governance have provided a very holistic interpretation of its nature. For example the Auditor General of Australia, Pat Barrett² in November 2000 stated:

“Corporate governance is largely about organisational and management performance. Simply put, corporate governance is about how an organisation is managed, its corporate and other structures, its culture, its policies and the ways in which it deals with its various stakeholders. It is concerned with structures and processes for decision-making and with the control and behaviour that support effective accountability for performance outcomes/results.”

As is apparent from the above definition, corporate governance is impacted upon by a vast range of explicit and implicit factors. Furthermore, there is no one perfect model that all organisations should adhere to. However, there are some objective and quantifiable structures and practices that *all* public companies should have. The majority of the structures are predicated on appropriate levels of independence. If the structures are in place then the company has a sound platform for quality corporate governance. Conversely, if a company does not have the necessary structures and practices in place then it is unlikely to provide quality corporate governance practices for its stakeholders.

As noted in the influential US Blue Ribbon Committee Report³, the three *non-negotiable* components of quality corporate governance are the Board of Directors including the audit committee, financial management including the internal auditors, and the external auditor. Significantly, the core element of each of them is independence. This trilogy is referred to in the Blue Ribbon Report as the “three-legged stool” that supports responsible financial disclosure and active and participatory oversight. Ultimately, a lack of independence in any one of the three components will hurt an organisation.

The Importance of Independence to Effective Corporate Governance

The fundamental premise is that independence is critical to ensuring that the Board of Directors fulfills its objective oversight role and holds management accountable to shareholders. There is a solid body of literature and theory supporting this premise. The Australian Investment & Financial Services Association 1999 report⁴ also notes two key points.

First, if the majority of the board are genuinely independent they have the power to implement board decisions, even contrary to the wishes of management or a major shareholder. This power not only creates a more desirable board culture but also imposes a responsibility on them to be especially diligent in making decisions. Second, an independent board majority is a key structure to assure shareholders that their company will be run competently, and in the best interests of all shareholders.

The Difference between Non-executive and Independent

On a related point, it is important to note that the current requirement that companies disclose whether a director is executive or non-executive, is at best unhelpful, and at worst, an opportunity for companies to imply levels of independence that do not stand up to scrutiny. Having a Board of Directors stacked with a string of non-executive directors, while giving the superficial appearance of independence, does not necessarily achieve actual independence. While conducting the research for this report, it was apparent that some companies appeared to presume that “independence” and “non-executive” were one and the same thing. For example the Futuris Corporation made the following statement in their Annual Report. “... the majority of the Board of Directors must at all times comprise independent (ie non-executive) directors.”

Some non-executive directors are independent, others are not. A non-executive director is simply a director who is not part of the *current* management team of the company. Yet there are many other relationships which could make a non-executive director dependent on the company. For example, directors are often classified as non-executive, notwithstanding the fact that they have a relationship with the company as a professional adviser, are a significant supplier or customer, or there is some other matter which impinges on their independence. Many companies state in their Annual Reports that the transactions that occurred with the “non-executive director took place on an arm’s length basis”. This may or may not be the case. The key issue is that irrespective of the legitimacy or arm’s length nature of the transaction/s, there is inevitably at least a perception, that independence has been compromised.

Therefore, this research gives no credence to the classification split of executive and non-executive director. Rather, it focuses solely on the split of independence and non-independence. The Australian Investment & Financial Services Association (1999) provides a definition of an independent director which is used as a starting point for the definition used in this study. Therefore, for the purposes of this research, an independent director is defined as someone who is not a member of management (a non-executive director) **and** who:

- > is not a substantial shareholder of the company, or otherwise associated directly or indirectly with a substantial shareholder of the company;
- > has not been employed previously in an executive capacity by the company;
- > is not an original founder of the company;
- > is not a principal of a professional adviser to the company;
- > is not a significant supplier or customer of the company, or otherwise associated directly or indirectly with a significant supplier or customer of the company;
- > has no significant contractual relationship with the company, outside of their directorship;
- > is free from any interest or relationship, which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Section 2

Research Design

The corporate governance assessment model developed in the research is based upon factors identified in national and international best practice guidelines and research studies. These include the Investment and Financial Services Association of Australia (1999), the USA Blue Ribbon Committee Report (1999), the UK Hempel Report (1999), the OECD Report (2001), and the Ramsay Report (2001). Central to the model is the need for companies to have appropriate levels of independence on the Board of Directors and their associated committees.

The model considers objective factors based on publicly disclosed information pertaining to the existence and structure of a company's Board of Directors, audit committee, remuneration committee, and nomination committee.¹ A brief discussion and justification of each of these factors follows.

a) Board of Directors

The Board of Directors is the ultimate decision making body of an organisation and thus plays a crucial role in many areas including corporate governance. An effective board will contain ethical, skilled and critically thinking individuals who contribute special expertise to the company. The US Blue Ribbon Report states explicitly,

Most importantly, the board overall should consist of a majority of independent directors... (and) the rationale supporting the call for a majority of independent directors ... (is) that independence is crucial to ensuring that the board fulfills its objective oversight role and holds management accountable to shareholders” (p.21-22).

The Australian Investment & Financial Services Association is also of the view that the majority of the board should consist of independent directors. It explains that the composition of the board is one of the most crucial issues of corporate governance.

International best practice requires that the majority of the individuals on the board should be genuinely independent... The independent board majority is a key mechanism to assure shareholders that their company will run competently in its own interests and consequently in the best interests of all shareholders (p.19-20).

For the purposes of the model the most desirable outcome will be for a company to have:

- > a board with the majority of independent directors;
- > an independent chairperson; and
- > met at least 6 times annually.

The least desirable outcome will be for a company to have:

- > a board with no independent directors;
- > the CEO as chairperson; and
- > met less than 6 times annually.

b) Audit Committee

An audit committee is also a crucial component of effective corporate governance. It can perform a range of functions. However, basically it serves to strengthen the auditor's independence by providing an independent forum where issues relating to the audit, can be referred on a timely basis. An audit committee should be in a position to discuss matters with the external and internal auditor *in the absence of management and non-independent directors*. This is essential so that the external and internal auditors are not constrained or intimidated by the presence of senior management or non-independent directors on the audit committee. Australian companies are not required by law to have audit committees. However, all companies listed on the Australian Stock Exchange are required to disclose in their annual reports whether they have an audit committee and its composition.

In terms of the composition of the audit committee, most authoritative reports recommend that either the audit committee be comprised *solely of independent* directors [eg. Treadway (1987), MacDonald Commission (1988), Cadbury (1992), Toronto Stock Exchange, New York Stock Exchange], or be comprised of a *majority of independent* directors [eg. Bosch (1990, 1993, 1995), Ernst & Young (1992), KPMG (1995), AARF (1997), Investment and Financial Services Association (1999), National Association of Security Dealers and the Blue Ribbon Committee (2000)].

With respect to best practice on the regularity with which audit committees should meet there is less guidance. However, the Blue Ribbon Report (1999) states that "... the (audit) Committee shall meet at least four times annually, or more frequently as circumstances dictate" (p.68).

Therefore for the purposes of the model the most desirable outcome will be for a company to have:

- > an audit committee with all the members independent
- > an independent chairperson; and
- > met at least four times annually.

Of course, the least desirable outcome will be for a company not to have an audit committee.

c) Remuneration Committee

The Australian Investment & Financial Services Association states that the Board of Directors should appoint a remuneration committee. A remuneration committee is responsible for reviewing the remuneration of the directors and senior management and advising the Board whether the amounts are reasonable in comparison with industry and corporate yardsticks. An independent director should chair the remuneration committee and at least a majority of the committee should be independent.

Consequently, for the purposes of the model the most desirable outcome will be for a company to have a remuneration committee with:

- > all the members independent; and
- > an independent chairperson.

The least desirable outcome will be for a company not to have a remuneration committee.

d) Nomination Committee

As was the case with a remuneration committee, the Australian Investment & Financial Services Association also states that the Board of Directors should appoint a nomination committee. A nomination committee is responsible for proposing new nominees to the Board and advising the Board on the core competencies required of new directors. An independent director should chair the nomination committee and at least a majority of the committee should be independent.

Therefore for the purposes of the model the most desirable outcome will be for a company to have a nomination committee with:

- > all the members independent; and
- > an independent chairperson.

The least desirable outcome will be for a company not to have a nomination committee.

Other Factors

In addition to the above four factors there are other issues that impact on corporate governance. There is no doubt that the board of a company (and its associated committees) should have individuals with particular skills and characteristics. The board should contain members with skills such as financial literacy, leadership, strategic management and ethical behaviour. However, there is a significant measurement problem here. As it is not possible to objectively measure these factors, the research does not attempt to integrate them into the model.

The corporate governance assessment model used in the research focuses on objective, quantifiable and publicly available information. In this respect, it is not all-encompassing. No model can include all variables. In fact, to attempt to include too many variables would cloud the fundamental purpose and the key issues. However, the corporate governance assessment model utilised in this research indicates which companies have the broad framework necessary for quality corporate governance to result.

Section 3

Results

The research contained in this report is derived from the 2001 Annual Report disclosures of Australia's top 250 Australian companies based on market capitalisation at 30 June 2001.² Companies were selected from a list provided by the Australian Stock Exchange, after excluding all trusts, and foreign companies. For each company, information relating to the Board of Directors, audit committee, remuneration committee, and nomination committee was obtained from the company Annual Report and related party disclosures.

Based on the model described previously in Section 2, an overall corporate governance assessment and ranking was performed for each of the 250 companies. The complete listing is provided in Appendix B. A summarised version listing the companies that achieved either five stars or a one star rating is contained in Table 1.

Table 1
Summary of Results
Corporate Governance Assessment Scale

COMPANY NAME	COMPANY SIZE RANKING	NUMBER OF STARS	CORPORATE GOVERNANCE RANKING
AXA Asia Pacific	23	★★★★★	= 1 st
BHP Billiton	4	★★★★★	= 1 st
Burswood	130	★★★★★	= 1 st
Crane Group	134	★★★★★	= 1 st
CSR	19	★★★★★	= 1 st
David Jones	108	★★★★★	= 1 st
National Australia Bank	2	★★★★★	= 1 st
Santos	29	★★★★★	= 1 st
Woolworths	11	★★★★★	= 1 st
Oil Company of Australia	150	★	= 238 th
Timbercorp	165	★	= 238 th
Choiseul Investments	153	★	= 240 th
Harvey Norman	27	★	= 240 th
Peptech	119	★	= 240 th
Ecorp	195	★	= 243 rd
Reece Australia	116	★	= 243 rd
Sunraysia Television	161	★	= 243 rd
ARB Corp	213	★	= 246 th
Central Equity	173	★	= 246 th
Hardman Resources	140	★	= 246 th
Hill 50 Gold NL	221	★	= 246 th
Cape Range Wireless	202	★	250 th

NOTE**5 stars (9 companies, 3.6%)**

Corporate governance structures were outstanding. The structures met all best practice standards and could not be faulted. Companies demonstrated unequivocal independence in all key areas including their Board of Directors, audit committees, remuneration committees, and nomination committees. The Board and related committees met regularly and disclosure on related party transactions was clear and unambiguous.

1 star (13 companies, 5.2%)

Corporate governance structures were lacking in several areas. In most circumstances, the Board of Directors and the related committees (where they existed) contained no independent members. In addition, on most occasions the companies did not have a remuneration or nomination committee. In some circumstances they did not have an audit committee.

Section 4

Discussion of the Results

Top Performing Companies

It was very pleasing to report that there were nine companies that demonstrated exemplary corporate governance structures and achieved a five star rating. Their corporate governance structures were outstanding and met all best practice standards. These companies demonstrated unequivocal independence in all key areas including their Board of Directors, audit committees, remuneration committees, and nomination committees. The Board and related committees met regularly and disclosure on related party transactions was clear and unambiguous. Each of the following companies is commended. In alphabetical order they are *AXA Asia Pacific*, *BHP Billiton*, *Burswood*, *Crane Group*, *CSR*, *David Jones*, *National Australia Bank*, *Santos*, and *Woolworths*.

Perhaps it is not surprising that six of the nine top ranking companies (*AXA Asia Pacific*, *BHP Billiton*, *CSR*, *National Australia Bank*, *Santos*, and *Woolworths*) are among Australia's largest. It could be argued that they have the greatest resources to devote to corporate governance structures, plus they are under the widest pressure from stakeholders to have high levels of corporate governance. However, there are other large Australian companies that are in the same situation, but did not achieve a five star rating. Further, three companies (*Burswood*, *Crane Group*, and *David Jones*) are not in Australia's top 100 companies by market capitalisation, yet they still achieved a five star rating. This report asserts that the advantages of good corporate governance are as valid for small listed public companies as they are for large listed public companies.

BHP Billiton scored very highly. However, it is only recently that their corporate governance was of this standard. As recently as the year 2000, *BHP*'s ten person Board contained six non-independent directors, and an audit committee that did not contain a single independent member. In short, for the year 2000, they would have fallen well short of a five star rating. In any event, for the year 2001 they have lifted their corporate governance standards significantly.

Notwithstanding its high profile as a major retailer, *David Jones* was a company that did not rank in Australia's top 100 companies based on market capitalisation. However its commitment to corporate governance seems excellent. *David Jones* made the following statement in its Annual Report:

"The Board comprises eight directors, of whom one is an Executive Director. The Non-Executive Directors are genuinely independent to ensure that the Company is run in its own best interests and accordingly, in the best interests of shareholders. No independent Director:

- > is a substantial shareholder;*
- > has been employed as an Executive of the Company;*
- > is a principal of a professional adviser;*
- > is associated with a significant supplier or customer;*
- > has a significant contractual relationship with the Company; and*
- > has any business relationship which could materially interfere with the Director's ability to act in the best interests of the Company."*

David Jones, as did the other top ranking companies, matched its rhetoric with action. Its Board had a clear emphasis on independence, with seven independent directors (including the Chairman) and only one non-independent. This is a very positive corporate governance position for them to take, and is in contrast to many companies who have a Board of Directors with several non-executives who are clearly not independent.

Poor Performing Companies

There were 13 companies that achieved only a one star rating. Typically these companies did not have a single independent board member and had few if any of the associated committees (ie. audit, remuneration, or nomination). Perhaps as expected the list is dominated by smaller companies. In this regard it might be claimed that smaller corporations do not have the resources or need for formal corporate governance structures. For example *Jubilee Mines NL*³ stated in their Annual Report, "The company does not have a formally constituted Audit Committee of the Board, as the Board considers that the company's size and type of operations do not warrant such a committee". However, all listed companies (irrespective of size) have an obligation to ensure that they have the reality and the perception of full transparency and accountability in their corporate governance structures.

The lowest ranking company was *Cape Range Wireless*. It did not have a single independent member on the Board of Directors, nor did it have an audit, remuneration or nomination committee. *Cape Range Wireless* attempted to justify its poor corporate governance structures on its relatively small size.

In view of the size of the company, the Directors have considered that establishing committees for Board nominations and remuneration levels would contribute little to its effective management... (and) In view of the size and structure of the company the Directors consider that its activities do not justify the establishment of an Audit Committee.

This report contends that **all** listed public companies stand to benefit by having sound corporate governance structures.

Another company that received a low rank was *ecorp*. In stark contrast to its low ranking it made the following statement in its Annual Report:

In recognising the need for the highest standards of corporate behaviour and accountability the directors of ecorp Limited support and adhere to the highest principles of corporate governance.

Notwithstanding *ecorp's* claimed adherence to the highest principles of corporate governance it received only a one star rating. At the core of its low ranking was the fact that it did not have a single independent member on either the Board of Directors or the audit committee, nor did it have a remuneration or nomination committee.

It was not just small companies that had relatively poor corporate governance structures. Consider the following example. *Harvey Norman* took a very narrow view of what corporate governance entails. It described corporate governance as “a term used to describe the way a Board is structured and the way the directors act to ensure their oversight is beyond reproach”. Consistent with this very narrow view of corporate governance, *Harvey Norman* had a Board that did not contain a single independent Director. On the one hand it could be claimed that this approach leads to “finger on the pulse style of executive management” and an absence of bureaucratic processes. Conversely, it could be claimed that the approach leads to the perception of insufficient transparency and accountability. *Harvey Norman* is a very successful company, but it is suggested that the success has more to do with the integrity and managerial nous of its executive management, than any effective corporate governance structures that it has in place. *Harvey Norman* is a large Australian company but achieved only a one star rating.

Other Observations

There were several companies where a majority of non-executive directors did not translate to a majority of independent directors. Consider the situation with *Aristocrat Leisure*, *Ramsay Health Care*, and *BRL Hardy*.

*Aristocrat Leisure*⁴ indicated in its Annual Report that its Board “currently comprises five independent non-executive directors and two executive directors”. This statement would have been more accurate if three of the non-executive directors had not been associated with entities that had provided professional paid services to the company. Consequently, the board comprised only two independent members, and five non-independents (including the Chairman).

Similarly, *Ramsay Health Care*⁵ stated in its Annual Report, “Currently the Board is made up of nine directors, seven non-executive directors, including the Chairman, and two executive directors”. However, when the board is examined on the basis of independence, a different perspective is obtained. With respect to the non-executives directors and their relationship with the company, two were associated with an entity that obtained commercial services, two were former executives, one was the founder, and one was a partner in a firm providing legal services. Therefore, the board was comprised of only one independent director and eight non-independents (including the Chairman).

*BRL Hardy*⁶ stated in its Annual Report:

The board endorses the view of the Working Group on Corporate Practices and Conduct, chaired by Mr Henry Bosch AO, that a majority of non-executive directors should be independent not only of management but of any other external influence that could detract from their ability to act in the interests of the company as a whole.

This was a very commendable position to take, however in reality the *BRL Hardy* Board comprised only three independent directors, and six non-independent directors. Of the six non-independent directors, three are executives, two have been consultants to the company in recent years, and one is a significant supplier to the company.

Descriptive Statistics

The following section provides descriptive statistics on the composition and independence of the Board of Directors, audit committee, remuneration committee, and the nomination committee.

Table 2
Descriptive Statistics

	BOARD OF DIRECTORS		AUDIT COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
	(NO)	(%)	(NO)	(%)	(NO)	(%)	(NO)	(%)
Board / committee exists	250	(100.0%)	239	(95.6%)	195	(78.0%)	77	(30.8%)
Number of members								
<i>Average (mean)</i>	6.88		3.36		3.42		3.64	
<i>Minimum</i>	3		2		1		2	
<i>Maximum</i>	17		7		11		9	
Average (mean) number of independent members	3.61	(52.4%)	2.11	(62.8%)	2.30	(67.3%)	2.65	(72.8%)
Independent chairperson	133	(53.2%)	175	(73.2%)	148	(75.9%)	54	(70.1%)
Level of independence								
<i>All members independent</i>	2	(0.8%)	66	(27.6%)	59	(30.3%)	22	(28.6%)
<i>Majority independent members</i>	117	(46.8%)	79	(33.1%)	72	(36.9%)	34	(44.2%)
<i>Some independent members</i>	117	(46.8%)	72	(30.1%)	50	(25.6%)	18	(23.3%)
<i>No independent members</i>	14	(5.6%)	22	(9.2%)	14	(7.2%)	3	(3.9%)
Total	250	100.0%	239	100.0%	195	100.0%	77	100.0%

Board of Directors

Evident from Table 2 the average (mean) board size was 6.88 with a range in size from three to 17. It was noteworthy that the average number of independent members on a board was 3.61. This comprises approximately 52.4% of the average size board. It was encouraging that 133 of the 250 companies (53.2%) had an independent chairperson. However there was some concern about the independence levels of the boards. Less than half of the boards (119, 47.6%) had a majority of independent directors.⁷ It was also of concern that 14 companies (5.6%) had a Board of Directors that did not contain a single independent member.

Audit Committee

The findings with respect to audit committees were generally positive. The vast majority of companies had an audit committee [239 companies (95.6%)]. This finding is consistent with prior research that showed that approximately 90% of Australian listed companies had an audit committee. The average size audit committee was 3.36, with a range in size from two to seven. Of the 239 companies that had an audit committee, 175 (73.2%) had an independent chairperson. With respect to the overall audit committee independence, 66 (27.6%) were completely independent, 79 (33.1%) were comprised of a majority of independent members, 72 audit committees (30.1%) did not have an independent majority, and in 22 instances (9.2%) the audit committee did not contain a single independent member.

Remuneration Committee

The findings with respect to remuneration committees were also positive. 195 companies (78%) had a formal committee, meeting separately from the full board that determined executive remuneration. The average size remuneration committee was 3.42, with a range in size from one to 11. Of the 195 companies that had a remuneration committee, 148 (75.9%) had an independent chairperson. With respect to the overall remuneration committee independence, 59 (30.3%) were completely independent, 72 (36.9%) were comprised of a majority of independent members, 50 remuneration committees (25.6%) did not have an independent majority, and 14 remuneration committees (7.2%) did not contain a single independent member.

Nomination Committee

While there were significantly fewer nomination committees than either audit or remuneration committees, their compositions and independence levels were similar. Less than 1/3rd of the companies had a formal nomination committee (77, 30.8%). The average size nomination committee was 3.64, with a range in size from two to nine. Of the 77 companies that had a nomination committee, 54 (70.1%) had an independent chairperson. With respect to the independence of the nomination committees, 22 (28.6%) were completely independent, 34 (44.2%) were comprised of a majority of independent members, 18 nomination committees (23.3%) did not have an independent majority, and in three instances (3.9%) the nomination committees did not contain a single independent member.

Section 5

Key Conclusions and Concluding Comments

There are three key conclusions emanating from the research study. First, consistent with the views of Henry Bosch (2001), the empirical results confirm that there is a “wide gap between the maximum possible and the minimum excusable ... in Australian corporate governance”. Out of the sample of 250 companies, nine (3.6%) demonstrated outstanding corporate governance structures that met all international best practice standards. A further 108 companies (43.2%) had corporate governance structures that were generally good (or better) and met most of the best practice standards. At the other extreme, 73 companies (29.2%) had corporate governance structures that were deficient. Accordingly, the empirical findings indicate that it is not valid to make global statements about the quality or otherwise of Australian corporate governance practices. Clearly there is a wide range of governance practices occurring in corporate Australia. Some of the practices are outstanding, some are very poor.

Second, as expected, larger Australian companies had generally better corporate governance structures than smaller Australian companies. For example, six of the nine companies that achieved a five star rating are among Australia’s largest. It could be argued that they have the greatest resources to devote to corporate governance structures, plus they are under the widest pressure from stakeholders to have high levels of corporate governance. However, *all* listed public companies have an obligation to, and indeed stand to benefit by, having good corporate governance structures.

Third, a significant number of companies claimed that they had good corporate governance practices because they had a majority of non-executive directors on their Boards. However, in many instances several of the non-executive directors were not independent of the company. In this regard the companies are not necessarily to blame. The Australian Stock Exchange requires companies to disclose whether a director is executive or non-executive, not whether they are independent or non-independent. This requirement that companies disclose whether a director is executive or non-executive, is at best unhelpful, and at worst, an opportunity for companies to imply levels of independence that do not stand up to scrutiny. Having a Board of Directors stacked with a string of non-executive directors, while giving the superficial appearance of independence, does not necessarily achieve actual independence. Therefore this report proposes that companies could make their Annual Reports more informative by stating explicitly the independence status of each member of their Board and related committees.

Appendix A

Star Ratings Explanations

Star Ratings Explanations

5 stars (9 companies, 3.6%)

Corporate governance structures were outstanding. The structures met all best practice standards and could not be faulted. Companies demonstrated unequivocal independence in all key areas including their Board of Directors, audit committees, remuneration committees, and nomination committees. The Board and related committees met regularly and disclosure on related party transactions was clear and unambiguous.

4.5 stars (31 companies, 12.4%)

Corporate governance structures were excellent and met all best practice standards other than in relatively minor circumstances. For example, while all the committees may have been independent one of the members was not independent. Companies demonstrated independence in all key areas including their Board of Directors, audit committees, remuneration committees, and nomination committees. The Board and related committees met regularly and disclosure on related party transactions was clear and unambiguous.

4 stars (45 companies, 18%)

Corporate governance structures were very good and met the vast majority of best practice standards. Companies demonstrated independence in all key areas including their Board of Directors and related committees. However most companies that received four stars did not have a separately constituted nomination committee. The Board and related committees met regularly and disclosure on related party transactions was usually clear and unambiguous.

3.5 stars (32 companies, 12.8%)

Corporate governance structures were generally good and met most of the best practice standards. The Board of Directors and related committees were usually independent. However in many cases the related committees contained some non-independent members. The Board and related committees met regularly and disclosure on related party transactions was usually clear and unambiguous.

3 stars (60 companies, 24%)

Corporate governance structures were adequate and met some of the best practice standards. The Board of Directors and the related committees contained some independent members, however usually there was a majority of non-independent members. The Board and related committees met regularly and disclosure on related party transactions was usually sufficient.

2 stars (60 companies, 24%)

Corporate governance structures were lacking in some areas. The Board of Directors and the related committees contained some independent members, however usually there was a majority of non-independent members. In addition on many occasions the companies did not have a remuneration or nomination committee. The Board and related committees met regularly and disclosure on related party transactions was usually sufficient.

1 star (13 companies, 5.2%)

Corporate governance structures were lacking in several areas. In most circumstances, the Board of Directors and the related committees (where they existed) contained no independent members. In addition, on most occasions the companies did not have a remuneration or nomination committee. In some circumstances they did not have an audit committee.

Appendix B

Company Listing by Rank & Number of Stars

Company Listing by Rank & Number of Stars

CORPORATE GOVERNANCE RANK	COMPANY NAME	COMPANY SIZE RANKING	NUMBER OF STARS
= 1 st	AXA Asia Pacific	23	★★★★★
= 1 st	BHP Billiton	4	★★★★★
= 1 st	Burswood	130	★★★★★
= 1 st	Crane Group	134	★★★★★
= 1 st	CSR	19	★★★★★
= 1 st	David Jones	108	★★★★★
= 1 st	National Australia Bank	2	★★★★★
= 1 st	Santos	29	★★★★★
= 1 st	Woolworths	11	★★★★★
= 10 th	Goodman Fielder	52	★★★★☆
= 10 th	Perpetual Trustees	51	★★★★☆
= 12 th	Amcor	28	★★★★☆
= 12 th	Bank of Western Australia	36	★★★★☆
= 12 th	PaperlinX	56	★★★★☆
= 15 th	Australian Gas Light	33	★★★★☆
= 15 th	Australian Stock Exchange	53	★★★★☆
= 15 th	Capral Aluminium	183	★★★★☆
= 15 th	Cochlear	42	★★★★☆
= 15 th	Commonwealth Bank of Australia	3	★★★★☆
= 15 th	Data Advantage	79	★★★★☆
= 15 th	GroPep	220	★★★★☆
= 15 th	GUD Holdings	207	★★★★☆
= 15 th	Hamilton Island	222	★★★★☆
= 15 th	James Hardie Industries	40	★★★★☆
= 15 th	NRMA Insurance Group	25	★★★★☆
= 15 th	Sigma	124	★★★★☆
= 15 th	Simeon Wines	159	★★★★☆
= 15 th	Snack Foods	184	★★★★☆
= 15 th	TAB Queensland	129	★★★★☆
= 15 th	W H Soul Pattinson	59	★★★★☆
= 15 th	Wesfarmers	12	★★★★☆
= 15 th	WMC	14	★★★★☆
33 rd	Delta Gold	113	★★★★☆
34 th	John Fairfax Holdings	34	★★★★☆
= 35 th	ANZ Banking Group	7	★★★★☆
= 35 th	National Foods	87	★★★★☆
= 35 th	Orbital Energy	145	★★★★☆
= 35 th	TAB	50	★★★★☆
= 35 th	Vision Systems	98	★★★★☆
= 35 th	Westpac Banking Corp	6	★★★★☆
= 41 st	Adelaide Bank	102	★★★★
= 41 st	Adsteam Marine	122	★★★★
= 41 st	AMP	8	★★★★
= 41 st	Aust Pharmaceutical Industries	105	★★★★
= 41 st	Centennial Coal	214	★★★★
= 41 st	ERG Group	70	★★★★
= 41 st	Iluka Resources	62	★★★★
= 41 st	Lend Lease	24	★★★★
= 41 st	Medical Imaging Australasia	84	★★★★

CORPORATE GOVERNANCE RANK	COMPANY NAME	COMPANY SIZE RANKING	NUMBER OF STARS
= 41 st	Metabolic Pharmaceuticals	210	★★★★
= 41 st	Novogen	157	★★★★
= 41 st	Novus Petroleum	135	★★★★
= 41 st	Pacific Dunlop	74	★★★★
= 41 st	Peter Lehman Wines	236	★★★★
= 41 st	Programmed Maintenance	186	★★★★
= 41 st	Qantas Airways	26	★★★★
= 41 st	Roc Oil	167	★★★★
= 41 st	Tap Oil	164	★★★★
= 41 st	Telstra Corp	5	★★★★
= 41 st	United Group	170	★★★★
= 41 st	Volante Group	239	★★★★
= 62 nd	Campbell Brothers	174	★★★★
= 62 nd	Woodside Petroleum	13	★★★★
64 th	Amrad	227	★★★★
= 65 th	Coles Myer	15	★★★★
= 65 th	Colorada Group	181	★★★★
= 65 th	Ridley Corp	172	★★★★
= 65 th	SMS Management & Technology	201	★★★★
= 69 th	Blackmores	228	★★★★
= 69 th	Gunns	127	★★★★
= 69 th	Milton Corp	92	★★★★
= 69 th	Oamps	244	★★★★
= 69 th	Oil Search	81	★★★★
= 69 th	Primary Health Care	120	★★★★
= 69 th	Southern Cross Broadcasting	114	★★★★
= 76 th	Foodland Associated	63	★★★★
= 76 th	Ticor	141	★★★★
= 78 th	Amalgamated Holdings	149	★★★★
= 78 th	Ausdoc Group	187	★★★★
= 78 th	Goldfields	126	★★★★
= 78 th	Lang Corporation	45	★★★★
= 78 th	Nufarm	107	★★★★
= 78 th	Q-Vis	197	★★★★
= 78 th	Tempo Services	160	★★★★
= 78 th	Ten Network Holdings	80	★★★★
= 86 th	Brandrill	171	★★★★
= 86 th	Institute of Drug Technology	155	★★★★
= 86 th	Stargames	224	★★★★
89 th	Adacel Technologies	242	★★★★
90 th	Boral	47	★★★★
= 91 st	Downer EDI	112	★★★★
= 91 st	St George Bank	18	★★★★
= 91 st	West Australian Newspapers	64	★★★★
94 th	DCA Group	200	★★★★
= 95 th	Bendigo Bank	78	★★★★
= 95 th	Envestra	103	★★★★
= 95 th	Forrester Kurts Property	230	★★★★
= 95 th	Hills Motorway Group	68	★★★★
= 95 th	Miller's Retail	82	★★★★
= 95 th	Securenet	206	★★★★
= 95 th	Wattyl	208	★★★★

CORPORATE GOVERNANCE RANK	COMPANY NAME	COMPANY SIZE RANKING	NUMBER OF STARS
= 102 nd	Computershare	31	★★★★
= 102 nd	Western Metals	225	★★★★
104 th	Orica	57	★★★★
= 105 th	Autron Corp	133	★★★★
= 105 th	Gazal Corp	196	★★★★
= 105 th	Neverfail Springwater	121	★★★★
= 108 th	Burns Philp	131	★★★★
= 108 th	Diversified United Investments	166	★★★★
= 108 th	Futuris Corporation	48	★★★★
= 108 th	Leighton Holdings	39	★★★★
= 108 th	Lion Nathan	37	★★★★
= 108 th	Normandy NFM	100	★★★★
= 108 th	Premier Investments	192	★★★★
= 108 th	Queensland Cotton Holdings	234	★★★★
= 108 th	Rural Press	72	★★★★
= 108 th	Smorgan Steel Group	83	★★★★
= 118 th	Energy Developments	69	★★★
= 120 th	Aust United Investment Group	147	★★★
= 120 th	Rio Tinto	9	★★★
=120 th	Village Roadshow	118	★★★
= 122 nd	News Corp	1	★★★
= 122 nd	Portman	146	★★★
= 124 th	Fantastic Furniture Holdings	232	★★★
= 124 th	Freedom Group	219	★★★
= 124 th	KAZ Computer Service	73	★★★
= 124 th	Newcrest Mining	61	★★★
= 128 th	Argo Investments	55	★★★
= 128 th	Brickworks	75	★★★
= 128 th	MicroMedical Industry	211	★★★
= 128 th	Whitefield	203	★★★
= 132 nd	Coates Hire Limited	237	★★★
= 132 nd	Pacifica Group	95	★★★
= 134 th	CSL	17	★★★
= 134 th	GWA International	86	★★★
= 134 th	Toll Holdings	58	★★★
= 137 th	Cable & Wireless Optus	10	★★★
= 137 th	MYOB	180	★★★
= 137 th	Powerlan	142	★★★
= 140 th	Bristle	132	★★★
= 140 th	Caltex Australia	109	★★★
= 140 th	Petaluma	175	★★★
143 rd	OPSM Protector	123	★★★
= 144 th	APN News & Media	65	★★★
= 144 th	Pacific Hydro	96	★★★
= 146 th	Austrim Nylex	189	★★★
= 146 th	Infomedia	91	★★★
= 146 th	Keycorp	169	★★★
= 149 th	Aquarius Platinum	89	★★★
= 149 th	Cellnet Telecommunications	250	★★★
= 149 th	Energy Resources of Australia	137	★★★
= 149 th	Henry Walker Eltin Group	177	★★★
= 149 th	United Energy	67	★★★

CORPORATE GOVERNANCE RANK	COMPANY NAME	COMPANY SIZE RANKING	NUMBER OF STARS
= 154 th	BRL Hardy	49	★★★
= 154 th	Challenger International	71	★★★
= 154 th	Hutchison Tele (Aust)	139	★★★
157 th	China Investments	232	★★★
= 158 th	Ci Technologies Group	216	★★★
= 158 th	Circadian Technologies	204	★★★
= 158 th	Country Road	193	★★★
= 158 th	Hansen Technologies	194	★★★
= 158 th	Hudson Timber & Hardware	226	★★★
= 158 th	Jupiters	66	★★★
= 158 th	MIM Holdings	41	★★★
= 158 th	Powertel	143	★★★
= 158 th	Southcorp	22	★★★
= 158 th	Tabcorp Holdings	30	★★★
= 168 th	Coventry Group	198	★★★
= 168 th	Macquarie Bank	20	★★★
= 168 th	Sons of Gwalia	60	★★★
= 171 st	Austal	176	★★★
= 171 st	Austar United	99	★★★
= 171 st	AV Jennings Homes	188	★★★
= 171 st	Djerriwarrh Investments	104	★★★
= 171 st	Metcash Trading	88	★★★
= 171 st	Silex Systems	93	★★★
= 171 st	Solution 6 Holdings	168	★★★
178 th	Gradipore	215	★★
= 179 th	Australand Holdings	76	★★
= 179 th	Bank of Queensland	111	★★
= 179 th	Gold Mines of Sardinia	212	★★
= 179 th	Hill Industries	128	★★
= 183 rd	Flight Centre	35	★★
= 183 rd	Open Telecommunications	240	★★
= 183 rd	Origin Energy	46	★★
= 183 rd	Television & Media Services	217	★★
= 187 th	Aristocrat Leisure	32	★★
= 187 th	Auspine	190	★★
= 187 th	Consolidated Rutile	162	★★
= 187 th	Horizon Energy	231	★★
= 187 th	Incitec	77	★★
= 187 th	PMP	205	★★
= 187 th	Pracom	223	★★
= 187 th	Simsmetal	101	★★
195 th	Abigroup	229	★★
= 196 th	Anaconda Nickel	97	★★
= 196 th	GrainCorp	106	★★
= 196 th	Prime Television	156	★★
= 196 th	Primelife Corp	245	★★
= 196 th	Ramsay Health Care	117	★★
= 196 th	Spotless Group	54	★★
= 196 th	Technology One	144	★★
= 203 rd	Brian McGuigan Wines	182	★★
= 203 rd	Seven Network	43	★★
= 205 th	Cabcharge	115	★★

CORPORATE GOVERNANCE RANK	COMPANY NAME	COMPANY SIZE RANKING	NUMBER OF STARS
= 205 th	Carlton Investments	151	★★
= 205 th	Clough	125	★★
= 205 th	Cumnock Coal	199	★★
= 205 th	Gowing Bros	235	★★
= 205 th	Investor Group	178	★★
= 205 th	Optiscan	247	★★
= 205 th	Publishing & Broadcasting	21	★★
= 205 th	STW Communications Group	94	★★
214 th	Westfield Holdings	16	★★
= 215 th	Altium	110	★★
= 215 th	Coal & Allied Industries	38	★★
= 215 th	Foundation HealthCare	136	★★
= 215 th	George Western Foods	85	★★
= 215 th	Healthscope	218	★★
= 215 th	Ipoh	154	★★
= 215 th	Murchison United	191	★★
= 215 th	Servcorp	90	★★
= 223 rd	Amity Oil	243	★★
= 223 rd	Casinos Austria International	209	★★
= 225 th	Intellect Holdings	148	★★
= 225 th	Symex Holdings	185	★★
= 225 th	Templeton Global	179	★★
= 228 th	Auiron Energy	158	★★
= 228 th	Australian Magnesium Corp	152	★★
= 228 th	HP JDV	238	★★
= 228 th	Metal Storm	248	★★
= 228 th	Sonic Healthcare	44	★★
= 233 rd	Cambooya Investments	241	★★
233 rd	Pima Mining NL	249	★★
= 234 th	Jubilee Mines	163	★★
= 234 th	Polartech	246	★★
= 234 th	Renewable Energy	138	★★
= 238 th	Oil Company of Australia	150	★
= 238 th	Timbercorp	165	★
= 240 th	Choiseul Investments	153	★
= 240 th	Harvey Norman	27	★
= 240 th	Peptech	119	★
= 243 rd	ecorp	195	★
= 243 rd	Reece Australia	116	★
= 243 rd	Sunraysia Television	161	★
= 246 th	ARB Corp	213	★
= 246 th	Central Equity	173	★
= 246 th	Hardman Resources	140	★
= 246 th	Hill 50 Gold NL	221	★
250 th	Cape Range Wireless	202	★

Appendix C

Alphabetical Company Listing by Rank & Number of Stars

Alphabetical Company Listing by Rank & Number of Stars

CORPORATE GOVERNANCE RANK	COMPANY NAME	COMPANY SIZE RANKING	NUMBER OF STARS
195 th	Abigroup	229	★★
89 th	Adacel Technologies	242	★★★★
= 41 st	Adelaide Bank	102	★★★★
= 41 st	Adsteam Marine	122	★★★★
= 215 th	Altium	110	★★
= 78 th	Amalgamated Holdings	149	★★★★
= 12 th	Amcor	28	★★★★
= 223 rd	Amity Oil	243	★★
= 41 st	AMP	8	★★★★
64 th	Amrad	227	★★★★
= 196 th	Anaconda Nickel	97	★★
= 35 th	ANZ Banking Group	7	★★★★
= 144 th	APN News & Media	65	★★★
= 149 th	Aquarius Platinum	89	★★★
= 246 th	ARB Corp	213	★
= 128 th	Argo Investments	55	★★★
= 187 th	Aristocrat Leisure	32	★★
= 228 th	Auiron Energy	158	★★
= 78 th	Ausdoc Group	187	★★★★
= 187 th	Auspine	190	★★
= 41 st	Aust Pharmaceutical Industries	105	★★★★
= 120 th	Aust United Investment Group	147	★★★
= 171 st	Austal	176	★★★
= 171 st	Austar United	99	★★★
= 179 th	Australand Holdings	76	★★
= 15 th	Australian Gas Light	33	★★★★
= 228 th	Australian Magnesium Corp	152	★★
= 15 th	Australian Stock Exchange	53	★★★★
= 146 th	Austrim Nylex	189	★★★
= 105 th	Autron Corp	133	★★★★
= 171 st	AV Jennings Homes	188	★★★
= 1 st	AXA Asia Pacific	23	★★★★★
= 179 th	Bank of Queensland	111	★★
= 12 th	Bank of Western Australia	36	★★★★
= 95 th	Bendigo Bank	78	★★★★
= 1 st	BHP Billiton	4	★★★★★
= 69 th	Blackmores	228	★★★★
90 th	Boral	47	★★★★
= 86 th	Brandrill	171	★★★★
= 203 rd	Brian McGuigan Wines	182	★★
= 128 th	Brickworks	75	★★★
= 140 th	Bristile	132	★★★
= 154 th	BRL Hardy	49	★★★
= 108 th	Burns Philp	131	★★★★
= 1 st	Burswood	130	★★★★★
= 205 th	Cabcharge	115	★★
= 137 th	Cable & Wireless Optus	10	★★★

CORPORATE GOVERNANCE RANK	COMPANY NAME	COMPANY SIZE RANKING	NUMBER OF STARS
= 140 th	Caltex Australia	109	★★★
= 233 rd	Cambooya Investments	241	★★
= 62 nd	Campbell Brothers	174	★★★★
250 th	Cape Range Wireless	202	★
= 15 th	Capral Aluminium	183	★★★★★
= 205 th	Carlton Investments	151	★★
= 223 rd	Casinos Austria International	209	★★
= 149 th	Cellnet Telecommunications	250	★★★
= 41 st	Centennial Coal	214	★★★★
= 246 th	Central Equity	173	★
= 154 th	Challenger International	71	★★★
157 th	China Investments	232	★★★
= 240 th	Choiseul Investments	153	★
= 158 th	Ci Technologies Group	216	★★★
= 158 th	Circadian Technologies	204	★★★
= 205 th	Clough	125	★★
= 215 th	Coal & Allied Industries	38	★★
= 132 nd	Coates Hire Limited	237	★★★
= 15 th	Cochlear	42	★★★★★
= 65 th	Coles Myer	15	★★★★
= 65 th	Colorada Group	181	★★★★
= 15 th	Commonwealth Bank of Australia	3	★★★★★
= 102 nd	Computershare	31	★★★★
= 187 th	Consolidated Rutile	162	★★
= 158 th	Country Road	193	★★★
= 168 th	Coventry Group	198	★★★
= 1 st	Crane Group	134	★★★★★
= 134 th	CSL	17	★★★
= 1 st	CSR	19	★★★★★
= 205 th	Cumnock Coal	199	★★
= 15 th	Data Advantage	79	★★★★★
= 1 st	David Jones	108	★★★★★
94 th	DCA Group	200	★★★★
33 rd	Delta Gold	113	★★★★★
= 108 th	Diversified United Investments	166	★★★★
=171 st	Djerriwarrh Investments	104	★★★
= 91 st	Downer EDI	112	★★★★
= 243 rd	ecorp	195	★
= 118 th	Energy Developments	69	★★★
= 149 th	Energy Resources of Australia	137	★★★
= 95 th	Envestra	103	★★★★
= 41 st	ERG Group	70	★★★★
= 124 th	Fantastic Furniture Holdings	232	★★★
= 183 rd	Flight Centre	35	★★
= 76 th	Foodland Associated	63	★★★★
= 95 th	Forrester Kurts Property	230	★★★★
= 215 th	Foundation HealthCare	136	★★
= 124 th	Freedom Group	219	★★★
= 108 th	Futuris Corporation	48	★★★★
= 105 th	Gazal Corp	196	★★★★
= 215 th	George Western Foods	85	★★
= 179 th	Gold Mines of Sardinia	212	★★

CORPORATE GOVERNANCE RANK	COMPANY NAME	COMPANY SIZE RANKING	NUMBER OF STARS
= 78 th	Goldfields	126	★★★★
= 10 th	Goodman Fielder	52	★★★★☆
= 205 th	Gowing Bros	235	★★
178 th	Gradipore	215	★★
= 196 th	GrainCorp	106	★★
= 15 th	GroPep	220	★★★★☆
= 15 th	GUD Holdings	207	★★★★☆
= 69 th	Gunns	127	★★★★
= 134 th	GWA International	86	★★★
= 15 th	Hamilton Island	222	★★★★☆
= 158 th	Hansen Technologies	194	★★★
= 246 th	Hardman Resources	140	★
= 240 th	Harvey Norman	27	★
= 215 th	Healthscope	218	★★
= 149 th	Henry Walker Eltin Group	177	★★★
= 246 th	Hill 50 Gold NL	221	★
= 179 th	Hill Industries	128	★★
= 95 th	Hills Motorway Group	68	★★★★☆
=187 th	Horizon Energy	231	★★
= 228 th	HP JDV	238	★★
= 158 th	Hudson Timber & Hardware	226	★★★
= 154 th	Hutchison Tele (Aust)	139	★★★
= 41 st	Iluka Resources	62	★★★★
= 187 th	Incitec	77	★★
= 146 th	Infomedia	91	★★★
= 86 th	Institute of Drug Technology	155	★★★★☆
= 225 th	Intellect Holdings	148	★★
= 205 th	Investor Group	178	★★
= 215 th	Ipoh	154	★★
= 15 th	James Hardie Industries	40	★★★★☆
34 th	John Fairfax Holdings	34	★★★★☆
= 234 th	Jubilee Mines	163	★★
= 158 th	Jupiters	66	★★★
= 124 th	KAZ Computer Service	73	★★★
= 146 th	Keycorp	169	★★★
= 78 th	Lang Corporation	45	★★★★
= 108 th	Leighton Holdings	39	★★★★☆
= 41 st	Lend Lease	24	★★★★
= 108 th	Lion Nathan	37	★★★★☆
= 168 th	Macquarie Bank	20	★★★
= 41 st	Medical Imaging Australasia	84	★★★★
= 41 st	Metabolic Pharmaceuticals	210	★★★★
= 228 th	Metal Storm	248	★★
= 171 st	Metcash Trading	88	★★★
= 128 th	MicroMedical Industry	211	★★★
= 95 th	Miller's Retail	82	★★★★☆
= 69 th	Milton Corp	92	★★★★
= 158 th	MIM Holdings	41	★★★
= 215 th	Murchison United	191	★★
= 137 th	MYOB	180	★★★
= 1 st	National Australia Bank	2	★★★★★
= 35 th	National Foods	87	★★★★☆

CORPORATE GOVERNANCE RANK	COMPANY NAME	COMPANY SIZE RANKING	NUMBER OF STARS
= 105 th	Neverfail Springwater	121	★★★★
= 124 th	Newcrest Mining	61	★★★
= 122 nd	News Corp	1	★★★
= 108 th	Normandy NFM	100	★★★★
= 41 st	Novogen	157	★★★★
= 41 st	Novus Petroleum	135	★★★★
= 15 th	NRMA Insurance Group	25	★★★★
= 78 th	Nufarm	107	★★★★
= 69 th	Oamps	244	★★★★
= 238 th	Oil Company of Australia	150	★
= 69 th	Oil Search	81	★★★★
= 183 rd	Open Telecommunications	240	★★
143 rd	OPSM Protector	123	★★★
= 205 th	Optiscan	247	★★
= 35 th	Orbital Energy	145	★★★★
104 th	Orica	57	★★★★
= 183 rd	Origin Energy	46	★★
= 41 st	Pacific Dunlop	74	★★★★
= 144 th	Pacific Hydro	96	★★★
= 132 nd	Pacifica Group	95	★★★
= 12 th	PaperlinX	56	★★★★
= 240 th	Peptech	119	★
= 10 th	Perpetual Trustees	51	★★★★
= 140 th	Petaluma	175	★★★
= 41 st	Peter Lehman Wines	236	★★★★
233 rd	Pima Mining NL	249	★★
= 187 th	PMP	205	★★
= 234 th	Polartechnics	246	★★
= 122 nd	Portman	146	★★★
= 137 th	Powerlan	142	★★★
= 158 th	Powertel	143	★★★
= 187 th	Pracom	223	★★
= 108 th	Premier Investments	192	★★★★
= 69 th	Primary Health Care	120	★★★★
= 196 th	Prime Television	156	★★
= 196 th	Primelife Corp	245	★★
= 41 st	Programmed Maintenance	186	★★★★
= 205 th	Publishing & Broadcasting	21	★★
= 41 st	Qantas Airways	26	★★★★
= 108 th	Queensland Cotton Holdings	234	★★★★
= 78 th	Q-Vis	197	★★★★
= 196 th	Ramsay Health Care	117	★★
= 243 rd	Reece Australia	116	★
= 234 th	Renewable Energy	138	★★
= 65 th	Ridley Corp	172	★★★★
= 120 th	Rio Tinto	9	★★★
= 41 st	Roc Oil	167	★★★★
= 108 th	Rural Press	72	★★★★
= 1 st	Santos	29	★★★★★
= 95 th	Securenet	206	★★★★
= 215 th	Servcorp	90	★★
= 203 rd	Seven Network	43	★★

CORPORATE GOVERNANCE RANK	COMPANY NAME	COMPANY SIZE RANKING	NUMBER OF STARS
= 15 th	Sigma	124	★★★★↓
= 171 st	Silex Systems	93	★★★
= 15 th	Simeon Wines	159	★★★★↓
= 187 th	Simsmetal	101	★★
= 108 th	Smorgan Steel Group	83	★★★★↓
= 65 th	SMS Management & Technology	201	★★★★
= 15 th	Snack Foods	184	★★★★↓
= 171 st	Solution 6 Holdings	168	★★★
= 228 th	Sonic Healthcare	44	★★
= 168 th	Sons of Gwalia	60	★★★
= 158 th	Southcorp	22	★★★
= 69 th	Southern Cross Broadcasting	114	★★★★
= 196 th	Spotless Group	54	★★
= 91 st	St George Bank	18	★★★★↓
= 86 th	Stargames	224	★★★★↓
= 205 th	STW Communications Group	94	★★
= 243 rd	Sunraysia Television	161	★
= 225 th	Symex Holdings	185	★★
= 35 th	TAB	50	★★★★↓
= 15 th	TAB Queensland	129	★★★★↓
= 158 th	Tabcorp Holdings	30	★★★
= 41 st	Tap Oil	164	★★★★
= 196 th	Technology One	144	★★
= 183 rd	Television & Media Services	217	★★
= 41 st	Telstra Corp	5	★★★★
= 225 th	Templeton Global	179	★★
= 78 th	Tempo Services	160	★★★★
= 78 th	Ten Network Holdings	80	★★★★
= 76 th	Ticor	141	★★★★
= 238 th	Timbercorp	165	★
= 134 th	Toll Holdings	58	★★★
= 149 th	United Energy	67	★★★
= 41 st	United Group	170	★★★★
=120 th	Village Roadshow	118	★★★
= 35 th	Vision Systems	98	★★★★↓
= 41 st	Volante Group	239	★★★★
= 15 th	W H Soul Pattinson	59	★★★★↓
= 95 th	Wattyl	208	★★★★↓
= 15 th	Wesfarmers	12	★★★★↓
= 91 st	West Australian Newspapers	64	★★★★↓
= 102 nd	Western Metals	225	★★★★↓
214 th	Westfield Holdings	16	★★
= 35 th	Westpac Banking Corp	6	★★★★↓
= 128 th	Whitefield	203	★★★
= 15 th	WMC	14	★★★★↓
= 62 nd	Woodside Petroleum	13	★★★★
= 1 st	Woolworths	11	★★★★★

Endnotes

Endnotes

- ¹ Collapse Incorporated, 2001, CCH Australia, p.5.
- ² Address provided to CPA Australia Annual Congress.
- ³ The Blue Ribbon Report was prepared by the Blue Ribbon Committee on Improving the Effectiveness of Corporate Committees. The committee membership consisted of the Chairman & CEO of the New York Stock Exchange, Chairman & CEO of the National Association of Securities Dealers, the former Deputy Secretary of State and Partner or Goldman Sachs, the CEO of PricewaterhouseCoopers, plus other influential US business people.
- ⁴ Corporate Governance: A Guide for Investment Managers and Corporations.
- ⁵ Consideration was also given to including in the model a company's relationship with the external auditors. However, there is no unambiguous evidence to suggest that non-audit fees or the size of the audit firm impact on audit judgements.
- ⁶ Some companies were excluded from the study as their 2001 Annual Reports did not make sufficient disclosures to enable judgements to be made about the independence of some or all of the directors. For example Mayne Nickless was excluded from the study because of a lack of clarity about some related party transactions. They stated in their Annual Report;
- “Certain wholly-owned controlled entities pay amounts to their directors or entities associated with their directors for services rendered on an arm's length basis at fair market value. These services comprise management services, accounting services, consulting services, legal services.”
- However, it was not revealed how much and to which directors payments were made.
- ⁷ Jubilee Mines achieved a two star rating.
- ⁸ Aristocrat Leisure achieved a two star rating.
- ⁹ Ramsay Health Care achieved a two star rating.
- ¹⁰ BRL Hardy achieved a three star rating.
- ¹¹ Two were completely independent, and 117 contained a majority of independent members.